

Subject: Mid-Year Stats Show Steady Growth

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of Interest**

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**Inside This
Issue**

[Total New
Construction](#)

[Housing](#)

[Budget](#)

[Plan Check
Revenue](#)

**LADBS
Construction**

Message from the General Manager

Mid-Year Statistics

What a difference a year makes! To prepare to write this mid-year report (our Fiscal Year is July 1 to June 30), I went back and reviewed what we said in the January 2012 newsletter. The economy was starting to turn the corner, but the overall situation was still very fragile. We were therefore relieved to report that "new construction is up 6%, Plan Check Revenue is up 5% and total revenue is up 8%".

By comparison, it is almost breathtaking to report that in January 2013 **new construction is up 18%, Plan Check Revenue is up 36% and total revenue is up 22%**.

If we had dared to predict such solid growth for the intervening year, we would probably have been sent to "drug testing".

In the spirit of full transparency and accountability, we report our key performance indicators in each monthly newsletter (see chart below). But, it is in the mid-year and year-end reports when we take the time to make a deeper dive and look more closely at each category.

Service Centers



Downtown

201 N. Figueroa Street
Los Angeles, CA 90012
(Figueroa Plaza)

West Los Angeles

1828 Sawtelle Blvd.
2nd Floor
Los Angeles, CA 90025

South LA

8475 S. Vermont Ave.
2nd Floor
Los Angeles, CA 90044

Van Nuys

6262 Van Nuys Blvd.
2nd Floor, Room 251
Los Angeles, CA 91401

San Pedro



638 S. Beacon Street
Room 276
San Pedro, CA 90731

Counter

Hours:

Monday, Tuesday, Thursday, Friday: 7:30 am - 4:30 pm
Wednesday: 9:00 am - 4:30 pm
* San Pedro & South LA offices are closed between noon - 1:00 pm daily

For Information

Total New Construction

We track all 8 years of the Villaraigosa Administration, plus the one proceeding year, for a baseline. The first six months certainly do not guarantee what the year-end result will be. But, the chart below still tells a clear story. We are doing better now than in the recession years, but still well below the boom years.

Between FY04-05 and FY07-08, the mid-year average was \$2.431 billion worth of new construction. Between FY08-09 and FY11-12, the average was \$1.393 billion. For the first 6 months of FY12-13, we are at \$1.793 billion. We are in the “transition

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year" - - **we have clearly left behind the "bad years", but have not yet returned to the realm of the "good years". Most importantly, we are solidly moving in the right direction.**

Housing

Housing starts have been a roller coaster ride during the first six months of this Fiscal Year.

July started off with 825 units but then dropped to 265 units in August; and eventually back to 820 units in December. When we are working with lower cumulative numbers, a single project can dramatically skew the totals up or down.

The graph below shows two distinct groupings of numbers. The pre-recession years from FY04-05 to FY07-08 averaged 7,058 units after the first 6 months of each year. But, the recession years (FY08-09 to FY11-12) averaged only 2,624 after the first 6 months of each year.

As of this December in FY12-13, we are at 3,317 units - - at the high end of the lower grouping, but still in the same grouping as the recession years.

We need about 10,000 new units per year to keep up with population growth and an aging housing stock. Based on what we see in Plan Check and in discussions with developers, it is clear that housing is still on an upward trend, despite this mid-year slight decline.



Budget

All of our plan checking and building permit revenues are combined in an LADBS Enterprise Fund, separate from the City's General Fund. **In the first 6 months of this Fiscal Year, we reached the highest level of revenue since December 2006 (see table below). At \$62 million, total revenue was up by 22% over this time last Fiscal Year!**



One of the biggest challenges we face today is keeping up with the resurgent workload. During the Great Recession we lost 235 Enterprise Fund positions. We have now been able to add 45 new positions, but as the chart below shows, we are still far below our prior workforce and that is resulting in longer delays in both plan checking and inspection. We continue to work to minimize the adverse impacts of these challenges.

Housing starts have slowed down slightly compared to this time last year, but the value of total new construction is still up significantly. That is because of the resurgence of commercial development. For FY11-12, non-residential construction



(retail, commercial and manufacturing) accounted for about 40% of the total building activity. For the first 6 months of this Fiscal Year, it is about 47%. **That is economically beneficial for the City because of the new permanent jobs and tax revenues non-residential development generates for the City.**



Plan Check Revenue

What really gets our hearts pounding is Plan Check Revenue - - it is the best early indicator of future workload. After developers go through the Planning Department for their entitlements, they might not yet have their financing, tenants, etc, so an entitled project can still linger for years, particularly in this economy. But, very few builders would incur the larger expense of full construction plans and coming in for Plan Check unless they are very certain the project is a "go".

Plan Check Revenue is up by 86% over last December and 36% year-to-date!

As good as things have already been as of December, we have every reason to believe the next 6 months should be even better!

Our Mission Statement

The mission of the Department of Building and Safety is to protect the lives and safety of the residents and visitors of the City of Los Angeles and enhance the quality of life, housing, economic prosperity, and job creation. This is accomplished through advising, guiding, and assisting customers to achieve compliance with the Building, Zoning, Plumbing, Mechanical, Electrical, Disabled Access, Energy, and Green Codes; and local and State laws, through a timely, ethical, cooperative, and transparent process for the facilitation of construction and maintenance of commercial, industrial, and residential buildings throughout the City.

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If you want to comment on the service(s) you received or file a complaint, please call our [Customer Hotline at \(213\) 482-0056](#).

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